



September 14, 2007

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Members of the Board:

I appreciate the opportunity to comment on the Federal Reserve's proposed changes to the open-end lending provisions of Regulation Z. I am the Vice President of New Mexico Central Credit Union, a credit union located in Albuquerque, New Mexico.

### **Open-end, multi-featured loan products**

First, I would like to comment specifically on the Fed's proposal to require credit unions that use open-end, multi-featured loan products to provide additional closed-end disclosures for sub-accounts that are created to finance specific items. This would adversely affect our members for the following reasons:

- 1) The Fed's proposed approach would be inconvenient to our members. Many of our members have relied on the current system for years, and thus have grown used to being able to do business with us under the open-end lending platform. In many instances, the platform allows our members to obtain loans remotely, which our members have told us is of great convenience to them.
- 2) The Fed's proposed approach would adversely affect the efficiency of our credit union's operations. Loan approval would become more time-consuming and cumbersome, and loan volume would be likely to drop. Both of these factors would result in an increase in the cost of our loan products to our members.
- 3) Credit life and disability premiums will be more difficult to manage because credit unions will be forced to offer single premiums on these products, making a refund necessary in the case of early payoff. Essentially, the ability to pro-rate the insurance premium will be taken away. This will force creditors to charge the premium up-front, which will be more expensive for the member.

As indicated above, the net effect of the Fed's open-end, multi-featured loan proposal would be an unnecessary increase in the cost of our loan products to our members. [These changes are unnecessary because statistics show that these types of loans are not any riskier than other types of loans; the default rate on these types of loans is 8.45%, which is no higher than the default rate on other loans offered by our credit union.]

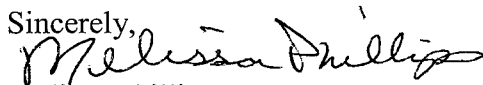
### **Other issues**

I would also like to take this opportunity to comment on some of the other portions of the Fed's proposal. These comments are listed below:



- 1) The proposal would increase the notification period for change in terms from 15 to 45 days, including notices for increased rates due to delinquency, default, or penalties. I feel that a 30-day change in terms notice is adequate. This will provide ample time for consumers to become aware of the change in terms.
- 2) If a consumer is attempting to make an online payment, a creditor should be able to give him or her subsequent disclosures about the ramifications of making such an electronic payment without having to get the consumer's prior consent. The consumer is accustomed to using online services and should not have an issue with this type of disclosure.
- 3) With respect to applications and solicitations, the proposal states that a range of rates or a number of specific rates may be listed if the actual rate will depend on the consumer's creditworthiness. The Fed is seeking comments on whether creditors should also be permitted to only list the highest rate that may apply. [Choice #1: Creditors should be allowed to list only the maximum rate that they may charge under applicable law. This should be the case for both risk-based lending and the introductory rate disclosures.][Choice #2: The maximum rate choice is not appealing from a marketing perspective. The range of rates should remain in place.]
- 4) The proposal provides format and disclosure requirements for tables for both applications/solicitations and account-opening disclosures. They are similar, but not identical. The two forms should be identical, as maintaining one disclosure is more cost-efficient and a consumer is more apt to read one disclosure than two different disclosures.
- 5) With regard to the disclosure of the "effective" APR, which includes certain fees, one proposed approach is to impose uniform terminology and formatting requirements, as well as specify exactly which fees are to be included. The other proposed approach is to eliminate the requirement to disclose the "effective" APR. I am in favor of eliminating the effective APR disclosure. This will assist creditors in assessing fees of certain types and properly disclosing them.
- 6) The proposal will eliminate the requirements under the Bankruptcy Act to provide a warning and a hypothetical example on the credit card statement about the effects of making minimum payments if the creditor provides on the statement the actual number of months it will take for the consumer to repay the actual balance by making minimum payments. I like this approach because it is consumer-friendly. However, it would be nice if the Fed could maintain a web site with a "calculator" type feature that creditors could make available to their borrowers.

Thank you for the opportunity to comment. Should you have any questions, please call me at (505) 266-8611.

Sincerely,  
  
Melissa Phillips  
Vice President